

# HOWARD JOHNSON COMPANY ANNUAL REPORT 1969









# Financial Highlights

	1969	1968
Sales and Revenues .....	\$268,485,000	\$237,415,000
Income Before Federal Income Taxes .....	16,729,000	17,681,000
Federal Income Taxes .....	7,700,000	8,100,000
Net Income .....	9,029,000	9,581,000 <sup>(1)</sup>
Net Income Per Share <sup>(2)</sup> (based on average shares outstanding during the year) . . .	\$ .90	\$ .96 <sup>(1)</sup>
Cash Dividends Declared Per Share <sup>(2)</sup> .....	\$ .23	\$ .20
Depreciation .....	9,053,000	8,602,000
Fixed Asset Additions .....	23,197,000	13,858,000
Working Capital at December 31 .....	17,130,000	25,278,000
Ratio of Current Assets to Current Liabilities at December 31 .....	1.9	2.3
Stockholders' Equity Per Share <sup>(2)</sup> (based on shares outstanding at end of year) .....	\$ 8.95	\$ 8.26

(1) Before extraordinary gain of \$1,814,000  
or \$.18 per share.

(2) 1968 per share amounts adjusted for  
100% stock distribution in 1969.







Sales and revenues for 1969 were the highest in our history as a result of increased consumer acceptance of Howard Johnson's products and services, along with continuing expansion into new markets.

Total sales and revenues for the year were \$268,485,000, a 13% increase over the \$237,415,000 in 1968.

Net income was \$9,029,000, a 6% decrease from the \$9,581,000 net income recorded in 1968 before an extraordinary gain. Earnings per share in 1969 were \$.90, compared with \$.96 in 1968, before the extraordinary gain and adjusted for the 100% stock distribution in 1969.

Earnings decreased as a result of substantially higher raw material costs during the peak months of our restaurant business and higher labor costs that could not be completely offset by menu price adjustments and our continuing cost control programs.

Cash dividends totaling \$.23 per share were declared during the year, compared with \$.20 per share in 1968, both adjusted for the 100% stock distribution in May, 1969. The distribution followed approval by stockholders of a proposal by the Board of Directors to increase authorized capital stock to 12 million shares.

Expansion of restaurant and motor lodge operations continued during the year as 36 Howard Johnson's restaurants and 31 motor lodges were opened. Twenty-three restaurants were closed.

In 1969 we acquired 12 restaurants and six motor lodges from licensees. These acquisitions will add an estimated \$5.1 million to annual sales.

Important market research studies completed in 1969 are providing us with vital information concerning our current position and future opportunities in the food service and lodging industries.

Our excellent relations with licensed restaurant and motor lodge operators were strengthened through the development of several important programs by the national operators' councils in cooperation with company management. These programs are expected to result in considerable future benefits to licensees and to the company.

Expansion of Howard Johnson's restaurants and motor lodges outside the

United States progressed satisfactorily during the year.

Construction continued on the licensed hotel and restaurant in Amsterdam, Holland.

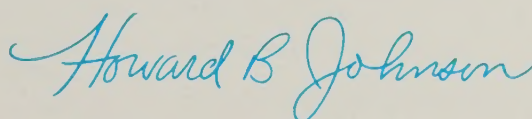
Licensed facilities are planned for Canada and Barbados in 1970. Meanwhile we are continuing to seek license agreements for additional overseas operations in the Far East, Europe and elsewhere.

Results for our Special Divisions have been most satisfactory. These divisions—Grocery Products, Landmark Supply, Automatic Merchandising and Beverage—account for a small portion of our business, but each of them expanded operations and recorded improved sales in 1969.

In the coming year we are committed to the following major programs which we believe will help to offset the inflationary forces that curtailed 1969 earnings:

- Continued expansion of restaurants, motor lodges and grocery products in markets with strong growth potential.
- An imaginative restaurant sales program aimed at giving consumers additional reasons for eating regularly at Howard Johnson's. An important element of this program is the in-restaurant promotion tied to our sponsorship of the "American Rainbow" series of children's specials on NBC-TV.
- Implementation of new operating efficiencies in all areas of company operations.

With the continued support of our 16,000 stockholders, the licensed operators of more than 650 Howard Johnson's restaurants and motor lodges, and nearly 23,000 employees, we are confident that Howard Johnson's will—in 1970 and beyond—extend the dramatic growth of the past decade.



Howard B. Johnson  
Chairman of the Board and President

February 24, 1970



**Howard Johnson Company  
and Subsidiaries  
Consolidated Balance Sheet**

<b>Assets</b>	<b>December 31</b>	<b>1969</b>	<b>1968</b>
<b>Current assets:</b>			
Cash .....	\$ 7,651,000	\$ 5,663,000	
Short-term securities, at cost (approximate market) .....	1,471,000	17,323,000	
Accounts receivable, less allowance of \$260,000 for doubtful accounts (\$238,000 in 1968) .....	8,346,000	6,554,000	
Inventories of merchandise and materials, at lower of average cost or market .....	16,904,000	14,615,000	
Prepaid expenses .....	1,801,000	1,076,000	
Total current assets .....	<u>36,173,000</u>	<u>45,231,000</u>	
<b>Fixed assets (Note 2):</b>			
Cost .....	120,807,000	100,419,000	
Accumulated depreciation .....	<u>49,340,000</u>	<u>42,315,000</u>	
	71,467,000	58,104,000	
<b>Mortgage notes receivable and other assets</b> .....	4,316,000	3,803,000	
	<u>\$111,956,000</u>	<u>\$107,138,000</u>	
<b>Liabilities and Stockholders' Equity</b>			
<b>Current liabilities:</b>			
Notes payable—portion due within one year (Note 4) .....	\$ 2,357,000	\$ 5,634,000	
Dividend payable .....	604,000	499,000	
Accounts payable and accrued expenses .....	15,596,000	11,351,000	
Federal income taxes .....	486,000	2,469,000	
Total current liabilities .....	<u>19,043,000</u>	<u>19,953,000</u>	
<b>Notes payable</b> —portion due after one year (Note 4) .....	<u>1,899,000</u>	<u>3,936,000</u>	
<b>Deferred income taxes</b> (Notes 2 and 3) .....	<u>1,331,000</u>	<u>755,000</u>	
<b>Stockholders' equity:</b>			
Common stock, par value \$1 per share (Note 5):			
Authorized—12,000,000 shares			
Issued—10,019,177 shares in 1969; 4,995,082 shares in 1968	10,019,000	4,995,000	
Capital surplus (Note 5) .....	10,984,000	15,541,000	
Retained earnings .....	68,680,000	61,958,000	
	<u>89,683,000</u>	<u>82,494,000</u>	
Lease commitments (Note 6) .....			
	<u>\$111,956,000</u>	<u>\$107,138,000</u>	

# Howard Johnson Company and Subsidiaries

## Consolidated Statement of Income and Retained Earnings

	Year ended December 31	1969	1968
Sales and revenues:			
Net sales .....	\$260,245,000	\$229,134,000	
Licensing and other income, excluding initial license fees received .....	7,456,000	7,119,000	
Initial license fees received .....	678,000	1,010,000	
Gain on disposals of fixed assets .....	106,000	152,000	
Total sales and revenues .....	<u>268,485,000</u>	<u>237,415,000</u>	
Costs and expenses:			
Cost of sales and manufacturing, warehousing and transportation expenses, excluding depreciation .....	106,150,000	96,482,000	
Selling, restaurant and motor lodge operating, administrative and general expenses, excluding depreciation .....	136,120,000	113,831,000	
Depreciation (Note 2) .....	9,053,000	8,602,000	
Interest .....	433,000	819,000	
Total costs and expenses .....	<u>251,756,000</u>	<u>219,734,000</u>	
Income before federal income taxes .....	16,729,000	17,681,000	
Provision for federal income taxes (Note 3) .....	7,700,000	8,100,000	
Income before extraordinary gain .....	9,029,000	9,581,000	
Extraordinary gain on sale of restaurant property, less applicable income taxes .....	—	1,814,000	
Net income .....	9,029,000	11,395,000	
Retained earnings at beginning of year .....	61,958,000	52,557,000	
Cash dividends declared—\$.23 per share in 1969; \$.20* in 1968 .....	(2,307,000)	(1,994,000)	
Retained earnings at end of year .....	<u>\$ 68,680,000</u>	<u>\$ 61,958,000</u>	
Income per average share of common stock outstanding (Note 5):*			
Before extraordinary gain .....	\$ .90	\$ .96	
Extraordinary gain, net of income taxes .....	—	.18	
Net income .....	<u>\$ .90</u>	<u>\$ 1.14</u>	

\*1968 adjusted for the 100% stock distribution in 1969.



# Howard Johnson Company and Subsidiaries

## Consolidated Statement of Source and Application of Funds

Year Ended December 31	1969	1968
<b>Source:</b>		
Net income before extraordinary gain .....	\$ 9,029,000	\$ 9,581,000
Depreciation .....	9,053,000	8,602,000
Deferred income taxes .....	576,000	173,000
Total from operations .....	18,658,000	18,356,000
Extraordinary gain .....	—	1,814,000
Deferred income taxes on extraordinary gain .....	—	582,000
Disposals of fixed assets .....	780,000	1,251,000
Proceeds from exercise of stock options .....	468,000	899,000
Decrease in working capital .....	8,148,000	1,017,000
	<u>\$28,054,000</u>	<u>\$23,919,000</u>
<b>Application:</b>		
Fixed asset additions .....	\$23,197,000	\$13,858,000
Decrease in non-current notes payable .....	2,037,000	5,394,000
Cash dividends declared .....	2,307,000	1,994,000
Increase in other assets .....	513,000	2,673,000
	<u>\$28,054,000</u>	<u>\$23,919,000</u>

## Opinion of Independent Accountants

PRICE WATERHOUSE & CO.

225 FRANKLIN STREET

BOSTON 02110

To the Board of Directors  
and Stockholders of Howard Johnson Company

In our opinion, the accompanying balance sheet and the related statements of income and retained earnings and of source and application of funds present fairly the consolidated financial position of Howard Johnson Company and subsidiaries at December 31, 1969 and the results of their operations and source and application of funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

February 6, 1970

*Price Waterhouse & Co.*



# Notes to Financial Statements

## Note 1—Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Howard Johnson Company and its subsidiaries, all of which are wholly-owned.

## Note 2—Fixed Assets and Depreciation Policy

Fixed assets are stated at cost. The asset and accumulated depreciation accounts exclude fully depreciated assets still in use. The details of the asset accounts at December 31 are summarized as follows:

	1969	1968
Land and land improvements .....	\$ 11,702,000	\$ 9,107,000
Buildings owned .....	10,797,000	8,611,000
Buildings and improvements on leased property..	23,034,000	19,473,000
Restaurant and motor lodge equipment .....	62,970,000	51,827,000
Plant, office and transportation equipment .....	12,304,000	11,401,000
	<u>\$120,807,000</u>	<u>\$100,419,000</u>

For financial reporting purposes, depreciation is provided on the straight-line method for all depreciable fixed assets acquired subsequent to January 1, 1968. The majority of fixed assets acquired prior to that date are depreciated on the sum-of-the-years-digits method.

The sum-of-the-years-digits method of depreciation is being continued for federal income tax purposes and a provision for deferred income taxes has been made for the resulting reduction in taxes currently payable.

## Note 3—Provision for Federal Income Taxes

A comparative summary of the provision for federal income taxes follows:

	1969	1968
Current provision .....	\$6,987,000	\$7,747,000
Additional surtax .....	763,000	834,000
Investment credit .....	(626,000)	(654,000)
Deferred (See Note 2) .....	576,000	173,000
	<u>\$7,700,000</u>	<u>\$8,100,000</u>

## Note 4—Notes Payable

At December 31, 1969 the Company was obligated under notes payable summarized as follows:

	Portion Due	
	Within one year	After one year
Notes payable to banks 5¾%, unsecured .....	\$2,000,000	\$ —
Real estate and chattel mortgages, mostly at 5% to 7% .....	284,000	1,600,000
Other .....	73,000	299,000
	<u>\$2,357,000</u>	<u>\$1,899,000</u>

The aggregate amounts which mature in each of the years 1971 to 1974 are \$415,000, \$256,000, \$234,000 and \$144,000, respectively.

In January 1970, the Company borrowed \$10,000,000 in unsecured bank loans to be repaid in equal quarterly installments over a three-year period commencing in April 1970.

## Note 5—Capital Stock, Capital Surplus and Stock Options

In April 1969, the Company's stockholders approved an increase in the authorized shares of common stock from 6,700,000 to 12,000,000 shares.

In May 1969, a 100% stock distribution was made to stockholders with the issuance of 5,004,489 shares of common stock. The \$5,004,489 par value of the shares issued was transferred from capital surplus to common stock.

The Company has stock options outstanding under several stock option plans. At the beginning of 1969, options to purchase 441,126 shares of the Company's common stock were held by executives and key employees of the Company and its subsidiaries. During 1969, options for 29,013 shares were exercised, options were granted to purchase 83,500 shares and options for 16,372 shares lapsed. Of the total proceeds from shares exercised, \$19,606 was credited to common stock and \$447,903 to capital surplus. All stock option shares and prices have been adjusted where applicable for the 100% stock distribution in 1969. At the end of 1969, the following options were outstanding:

Year of grant	Year of lapse	Average price per share	Total shares under option at December 31, 1969	
			Exercisable	Outstanding
1965	1970	\$19.61	31,792	31,792
1966	1971	26.65	243,849	243,849
1967	1972	25.42	51,536	76,800
1968	1973	23.92	18,280	43,300
1969	1974	22.54	—	83,500
			<u>345,457</u>	<u>479,241</u>

Options become exercisable as to 40% of the shares one year from the date of grant, 70% after two years and 100% after three years. Under the terms of the plans, additional options for 71,882 shares may be granted at prices no less than 100% of their fair market value at the date of grant.

The exercise of stock options would not have resulted in dilution of reported income per share for 1969.

## Note 6—Lease Commitments

The aggregate amount of rentals charged to income in 1969 was \$22,700,000 comprising real estate rentals under minimum annual rental and percentage-of-sales agreements and rentals of real estate, trucks and equipment under short-term lease arrangements. Minimum annual rentals under long-term leases, most of which expire in various years to 1989, are approximately \$12,500,000, exclusive of \$1,500,000 for units currently under construction. Such minimum annual rentals are exclusive of taxes, insurance and other expenses in certain instances to be paid by the lessee.

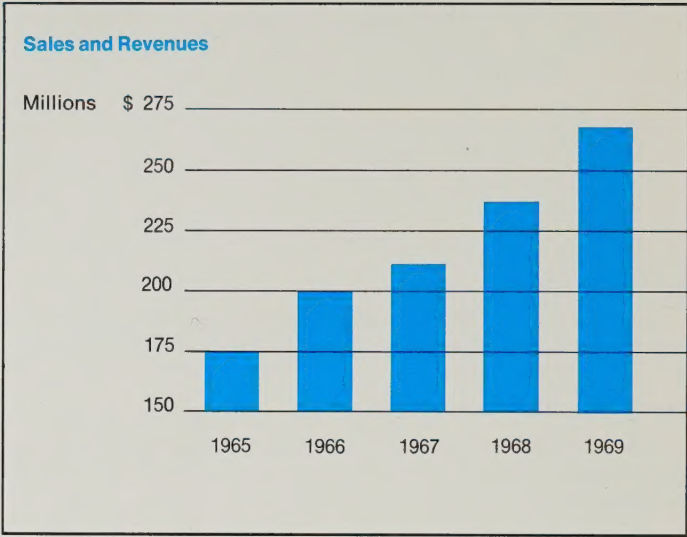
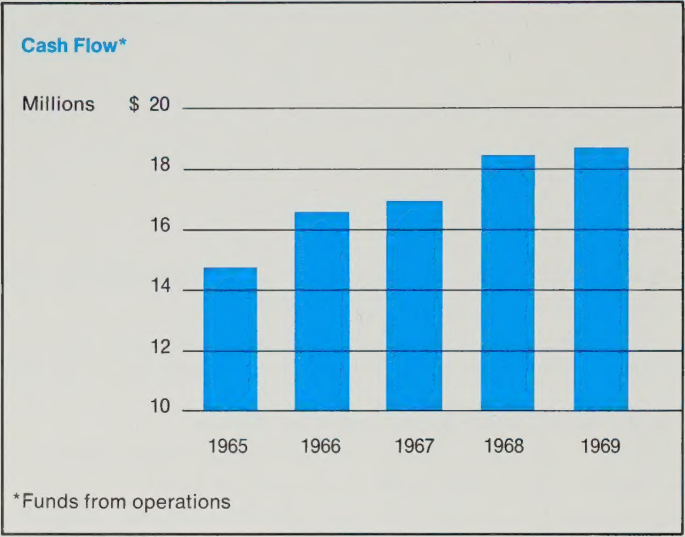
The Company is also contingently obligated under leases, most of which expire in various years to 1989, relating to properties occupied by licensees. Minimum annual rentals under these leases amount to approximately \$600,000.



Howard Johnson Company and Subsidiaries

Ten Year Summary

(000 omitted)



Earnings:

Sales and revenues	.....
Income before federal income taxes	.....
Federal income taxes	.....
Net income	.....
Net income per share	.....

Other Financial Data:

Average number of shares outstanding (2)	.....
Cash dividends per share	.....
Depreciation (3)	.....
Fixed asset additions	.....
Total assets	.....
Working capital	.....
Ratio of current assets to current liabilities	.....
Stockholders' equity per share (2 and 4)	.....

Number of Locations:

Howard Johnson's Restaurants	
Company	.....
Licensee	.....
Total	.....
Howard Johnson's Motor Lodges	
Units	
Company	.....
Licensee	.....
Total	.....
Rooms	
Company	.....
Licensee	.....
Total	.....
Red Coach Grills	
Company	.....
Licensee	.....
Total	.....

(1) Before extraordinary gain of \$1,814,000 or \$.18 per share.  
(2) Adjusted for subsequent stock dividends and the 100% stock distributions in 1966 and 1969.  
(3) See Note 2 of Notes to Financial Statements.  
(4) Based on shares outstanding at end of year.



1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
\$268,485	\$237,415	\$211,293	\$200,092	\$175,531	\$152,798	\$127,106	\$113,476	\$102,382	\$ 96,799
16,729	17,681	14,587	15,785	15,955	14,079	10,942	9,034	8,213	7,384
7,700	8,100	6,000	6,500	6,930	6,470	5,550	4,430	4,120	3,656
9,029	9,581 <sup>(1)</sup>	8,587	9,285	9,025	7,609	5,392	4,604	4,093	3,728
\$ .90	\$ .96 <sup>(1)</sup>	\$ .87	\$ .94	\$ .93	\$ .79	\$ .56	\$ .48	\$ .43	\$ .39
10,009	9,957	9,894	9,834	9,728	9,650	9,626	9,624	9,620	9,620
\$ .23	\$ .20	\$ .08	—	—	—	—	—	—	—
9,053	8,602	8,285	7,210	5,723	4,529	3,515	3,069	2,826	2,623
23,197	13,858	12,831	18,587	14,136	10,598	10,556	6,657	4,521	3,879
111,956	107,138	101,535	90,633	75,670	60,223	49,335	41,598	36,721	32,773
17,130	25,278	26,295	19,862	17,362	12,949	9,180	10,448	9,590	7,512
1.9	2.3	2.3	2.1	2.1	2.0	1.8	2.1	2.1	1.9
\$8.95	\$8.26	\$7.28	\$6.54	\$5.50	\$4.53	\$3.72	\$3.16	\$2.68	\$2.26
535	509	484	457	419	372	325	300	279	264
303	316	329	336	331	336	338	338	337	341
838	825	813	793	750	708	663	638	616	605
45	29	14	9	5	1	—	—	—	—
346	331	318	283	239	209	166	139	111	87
391	360	332	292	244	210	166	139	111	87
3,560	2,220	1,030	650	390	60	—	—	—	—
32,170	30,280	28,650	24,440	19,580	16,800	13,240	10,470	8,010	6,340
35,730	32,500	29,680	25,090	19,970	16,860	13,240	10,470	8,010	6,340
19	17	17	18	17	15	14	12	11	10
2	1	1	—	—	—	—	—	—	—
21	18	18	18	17	15	14	12	11	10



## Howard Johnson's in the 'Soaring Sixties'— A decade of progress and profitability



The ten years that ended on December 31, 1969 brought unprecedented growth and accomplishment to the Howard Johnson Company.

It was a decade in which the company reached maturity and became a national organization whose name, products and services have achieved consumer acceptance from coast to coast.

In 1960 we were a privately-owned company with less than 10,000 employees.

Today Howard Johnson's has 16,000 stockholders and nearly 23,000 employees.

As the 60's began, sales and revenues had reached \$90.2 million. There were 582 Howard Johnson's restaurants and 69 motor lodges operating in 32 states, the District of Columbia and the Bahamas.

Ten years later, sales and revenues were \$268.5 million, nearly triple the total at the start of the decade. And there were 838 Howard Johnson's restaurants and 391 motor lodges in 40 states, the District of Columbia, the Bahamas and Puerto Rico.

A decade ago, 249 restaurants were company-operated; today there are 535. In 1960 there were no company-operated motor lodges and as recently as 1966 we had only nine. Today we have 45.

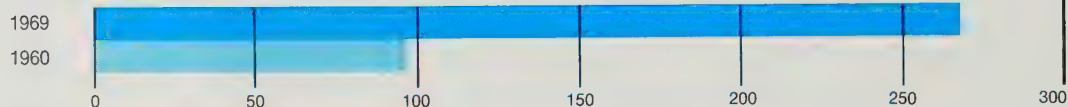
Total assets on December 31, 1969 were \$112.0 million compared with \$29.2 million ten years ago. Cash flow from operations—an important factor in our growth—has risen from \$6.4 million to \$18.7 million in 1969.

These impressive results stemmed from the company's ability to keep pace with the growing and ever-changing needs of the American public.

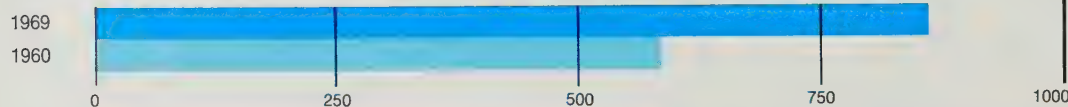
During the 'Sixties—and particularly in the past few years—we have expended considerable time and money to prepare for future challenges and opportunities. We have added a number of experienced, knowledgeable executives and specialists to our management team, upgraded our data processing capabilities, improved our organizational structure and constantly sharpened our planning skills and techniques.

Howard Johnson's is ready for the 'Seventies.

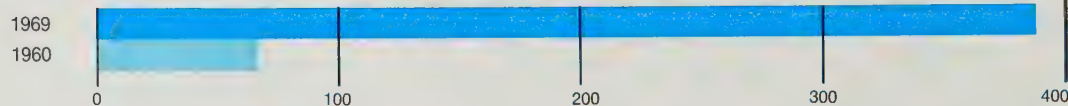
**Sales and Revenues (in Millions)**



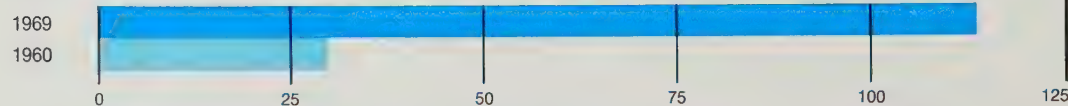
**Number of Howard Johnson's Restaurants**



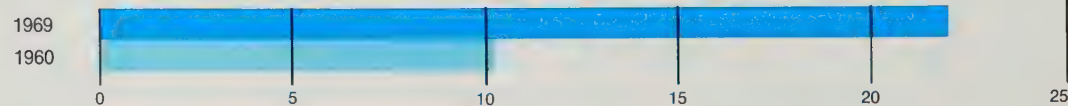
**Number of Howard Johnson's Motor Lodges**



**Total Assets (in Millions)**



**Number of Employees (in Thousands)**





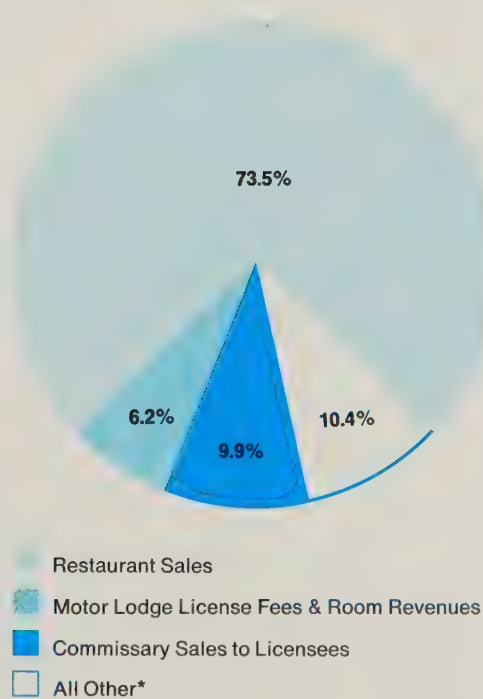


In 1969 more people than ever before purchased Howard Johnson's products and services in restaurants, motor lodges and retail grocery stores.

Satisfying these millions of consumers is the responsibility of the company's operating divisions.

Their success in accomplishing this demanding task is detailed on the following pages.

### Sales and Revenues 1969



\*Includes sales of Special Divisions, initial license fees, interest, rental and miscellaneous income.





### Howard Johnson's Restaurants

Restaurant sales increased substantially as a result of significant expansion of company-operated units, selective price increases, and aggressive advertising and promotion activities.

Profits from restaurant operations decreased, primarily because of sharp increases in raw material costs incurred just prior to the high-volume summer months and higher labor costs.

At the end of 1969 there were 838 Howard Johnson's restaurants, including 535 operated by the company. We now have facilities in 40 states, the District of Columbia, Puerto Rico and the Bahamas.

During the year, 36 new restaurants were opened. With the addition of seven restaurants in California, there are now 24 units in the nation's most heavily populated state.

As of December 31, twenty-five Howard Johnson's restaurants were under construction. Additions to 21 existing restaurants were completed during the year.

Twenty-three restaurants (12 licensed and 11 company-operated) were closed in 1969 as part of the continuing effort to maximize profitability. Many of these were older units in locations where renovation was not economically feasible.

Conversion of six existing turnpike units in Kansas and New Jersey to cafeteria operations resulted in improved service to the public and increased operational efficiency and profitability.

International expansion moved ahead during the year. Construction progressed on

the licensed restaurant in Amsterdam, Holland and plans were announced for several units to be built in Canada during 1970. Negotiations are being conducted with potential licensees in other countries.

Here in the United States, we continued to emphasize the long-established "family" appeal of Howard Johnson's restaurants in our marketing and promotion programs.

The Monday Chicken Fry and Wednesday Fish Fry, offering "all you can eat," attracted customers in record numbers, along with the highly successful \$1.99 dinner specials.

The Sunday Family Dinner, aimed at rejuvenating the American custom of a full-course Sunday dinner with the entire family, was inaugurated during 1969. It offers a selection of complete meals ranging in price from \$1.99 to \$2.95. Results thus far have been encouraging.

In December, 1969, the company began national sponsorship of a series of seven quality children's specials on the NBC television network.

This series, "Howard Johnson's Presents NBC's American Rainbow," will be broadcast monthly on Saturday mornings through June, 1970.

A special in-restaurant promotion during the television series offers a free dish of our new "American Rainbow" ice cream to every child who eats in a Howard Johnson's restaurant. Youngsters will also receive special "American Rainbow" amuse-a-menus and free games.

The "American Rainbow" promotion is part of an aggressive restaurant selling program that will continue throughout 1970,



including monthly luncheon and dinner specials, dessert promotions, Chicken Fry, Fish Fry, Family Sunday Dinner, and expansion of the popular Childrens' Birthday Club.

Growth of Howard Johnson's restaurants in 1969 is shown in the following table:

	Number of Restaurants		
	Company Operated	Licensee Operated	Total
December 31, 1968.	509	316	825
Opened .....	25	11	36
Acquired from Licensees .....	12	(12)	—
Closed .....	(11)	(12)	(23)
December 31, 1969.	535	303	838

### Red Coach Grills

Continued public enthusiasm for our luxury restaurant chain, Red Coach Grills, resulted in further expansion in 1969 as three new units were opened. As of December 31, 1969, there were 21 Red Coach Grills, including 19 operated by the company. Four additional facilities were under construction at the end of the year.

Among units scheduled to begin operating in 1970 are Latham, N. Y., Oak Brook, Ill. and the Red Coach being constructed as part of the air rights complex over the Massachusetts Turnpike at Newton, Mass.

Opening of the Red Coach Grill at West Haven, Conn., set for November, 1969, was delayed by fire. Reconstruction work will be completed in the spring of 1970.

The Red Coach at Braintree, Mass., which opened in June, 1969, was designed as a prototype for future units. A smaller, more compact facility, it has been very successful — far exceeding sales and profit objectives.

Based on the growing consumer appeal of these quality operations and the profit potential that exists because of their substantial volume per unit, the Red Coach expansion program will be stepped up in the coming year.

### Fast Food Service

Sales and profits for the Fast Food Service Division increased in 1969.

This Division includes both company and licensed operations of various types—resort and in-city snack bars, self-service restaurants with dining rooms and fast food cafeterias.

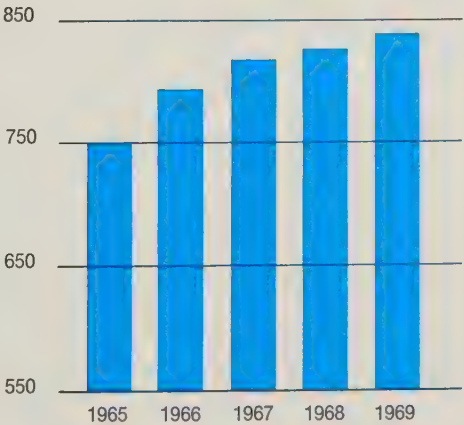
Late in the year, construction began on the prototype units for two new concepts in fast food operations.

The licensed Howard Johnson's self-service restaurant in Chapel Hill, N. C. will have approximately 50 seats, with an interior designed for customers who want quick meals in comfortable surroundings.

The self-service restaurant being constructed in Scituate Harbor, Mass. is intended for less heavily populated areas than the Chapel Hill unit. It has seating for about 30 persons, with built-in operating flexibility to handle fluctuating volume.

Most menu items at both units will sell for under \$1.00, including ice cream, fried clams, frankfurters and other products for which the company is famous.

Howard Johnson's Restaurants







The traveling public again put its "seal of approval" on Howard Johnson's motor lodges in 1969.

Profits for the Motor Lodge Division were up substantially over 1968. Fees from licensed operations and revenues from company lodges increased as a result of high occupancy and higher average room rates.

Division expansion continued at a very satisfactory pace as 31 new lodges were opened during the year and additions were made to 16 existing units. More than 3,200 rooms were added in 1969.

The number of company-operated facilities increased from 29 in 1968 to 45 at the end of 1969. The company lodges added in 1969 included 10 new units and six existing operations acquired from licensees.

As of December 31, there were 391 Howard Johnson's motor lodges with 35,730 rooms operating in 40 states, the District of Columbia and Puerto Rico. Forty were high-rise properties (five or more stories) containing over 6,800 rooms.

At the end of the year, 27 motor lodges were under construction, including licensed high-rise structures adjoining JFK International Airport in New York and the Newark, N. J. Airport. A company-operated high-rise property is being built to serve the Atlanta, Ga. Airport.

Other high-rise lodges under construction include the air rights project over the Massachusetts Turnpike at Newton, Mass. and the motor lodge at Hollywood Beach, Fla., both licensed operations that will open in 1970. In addition, an agreement has been signed for a 390-room licensed Howard



Johnson's motor lodge to be built as the tower of a 23-story complex in downtown Boston.

Construction of eight motor lodges in California and other fast-growing Western states during 1969 has made Howard Johnson's a stronger factor in this key area of the country. There are now 16 Howard Johnson's motor lodges in California, Arizona, Colorado and New Mexico.

Another reflection of the Division's solid growth was the inauguration of our computer-based "Instant Host" reservation system in September. This important service allows customers to make reservations at motor lodges or special reservation centers and receive printed confirmation in a matter of seconds.

The most advanced reservation system in the lodging industry, "Instant Host" has the capability to exchange reservations with other lodging chains, airlines, and auto rental companies. Our planned overseas locations will eventually be tied in.

Sales potential and customer convenience were enhanced with the signing, early in 1969, of agreements with Humble Oil and Refining Company and Standard Oil Company (California) for use of their credit cards for lodging and related services at Howard Johnson's motor lodges. These agreements are in addition to the one that has been in effect with Texaco, Inc. since 1966.

Considerable progress was recorded in our overseas expansion program during 1969.

The licensed Howard Johnson's Hotel in Amsterdam, Holland will open in June, 1970. Work will commence during the year on a

licensed high-rise motor lodge adjacent to the Toronto, Canada Airport.

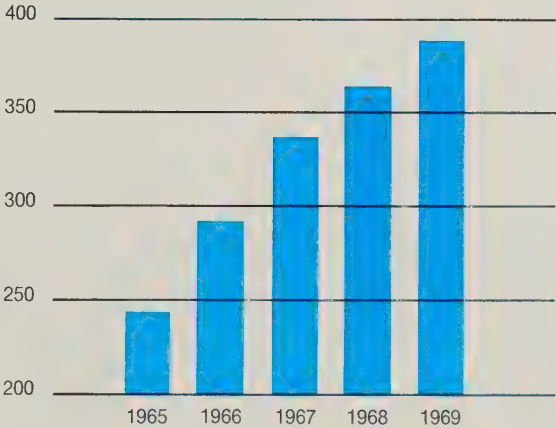
Late in 1969 an agreement was signed for a licensed Howard Johnson's resort hotel on the island of Barbados, with construction set to begin in April, 1970.

Negotiations are continuing on a number of other overseas projects.

Motor Lodge Division growth in 1969 is summarized in the following table:

	Number of Motor Lodges		
	Company Operated	Licensee Operated	Total
December 31, 1968.	29	331	360
Opened . . . . .	10	21	31
Acquired from Licensees . . . . .	6	(6)	—
Closed . . . . .	—	—	—
December 31, 1969.	45	346	391

Howard Johnson's Motor Lodges







### Grocery Products

American consumers bought nearly 46 million packages and cans of Howard Johnson's grocery products through retail grocery stores in 1969.

Grocery Products Division sales and profits increased substantially over 1968 as existing products were expanded into several new areas of the country. Distribution in existing markets showed considerable improvement, particularly for pre-packaged ice cream.

A new line of quality frozen pies was introduced into test markets late in 1969. The introduction is being supported by coupon advertising in Sunday supplements along with television and radio spot announcements.

Development of a number of new products is currently underway. Test marketing of additional products in our bakery, frozen entree and canned lines will be carried out in 1970. These include Cinnamon-Raisin Toastees, Pound Cake Toastees, two new cakes and several unique frozen entrees.

### Landmark Supply

The Landmark Supply Division increased sales and profits in 1969.

In addition, the Division's volume purchasing of restaurant and motor lodge equipment and furnishings achieved substantial savings for the company and for licensed operators.

During the year a new program, providing for leasing of restaurant and motor lodge equipment and furnishings to licensees, was inaugurated. The leasing is arranged through an outside financial institution, without recourse to the company. Initial interest in the plan has been encouraging. The program is expected to result in increased sales for Landmark Supply in 1970 and beyond.

Another important Landmark Supply project involves standardization and volume purchasing of china, glassware, and silver for company and licensee restaurants.

Substantial cost reduction and improvement in tableware quality are anticipated from this program, which will be fully implemented in 1970.

### Beverage

The Beverage Division now has agreements with three independent bottlers for production of Howard Johnson's carbonated beverages for sale to consumers through retail stores.

An agreement was reached with an Atlanta, Ga. bottler in October, with production scheduled to begin early in 1970.

Production by our licensed bottler in Massachusetts began in March, 1969. The company's first bottler, in the New York City area, has been producing Howard Johnson's soft drinks since 1968.

The company is seeking bottlers in other areas of the country and expansion of retail beverage sales is anticipated in 1970 through additional license agreements.

### Automatic Merchandising

The Automatic Merchandising Division recorded a sizable sales increase in 1969 as vending operations were expanded into five additional states. New operating areas include Florida, New York, Delaware, Connecticut and Rhode Island.

Despite start-up costs incurred for division expansion, profits were higher than in 1968.

Sales of Howard Johnson's carbonated beverages through vending machines showed a dramatic increase during the year.

As a result of division growth, several new warehouse facilities were established and existing warehouses in other areas were expanded.

The Division, which began operations in 1954 at various Howard Johnson's turnpike restaurants, now provides vending services at off-turnpike Howard Johnson's restaurants, company and licensee motor lodges, fast food service units, and Red Coach Grills.



Steadily increasing purchase of Howard Johnson's products by consumers through restaurants and retail grocery stores led to further expansion of our manufacturing and distribution facilities in 1969.

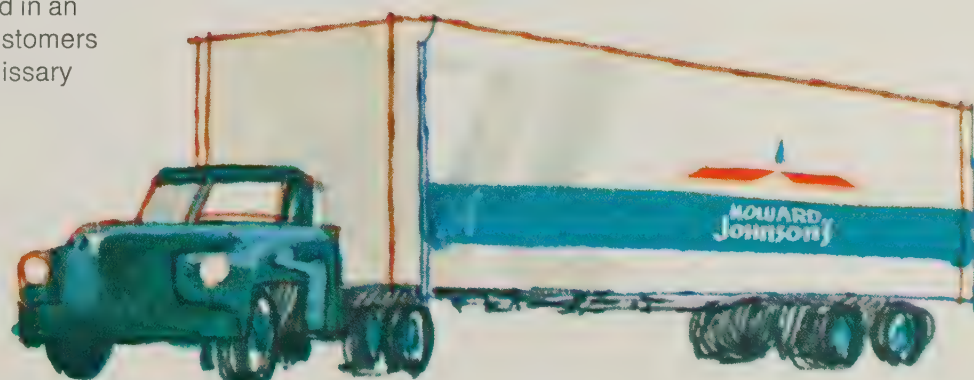
More than two million dollars was expended during the year for modernization of plants and new equipment.

The Warehousing and Distribution Division continued to make progress on a computerized system of central inventory control that will result in more efficient operation of our nationwide distribution system. In addition to the improvement in economy and operating effectiveness, this system will help us provide better service to customers. The inventory control project is being carried out with the assistance of personnel in the electronic data processing section of the Controller's Department.

A new, larger distribution center will be opened in Los Angeles in 1970 to better serve our rapidly growing West Coast restaurant operations.

Manufacturing at our Boston candy plant was phased out in 1969 and transferred to the modern Quincy, Mass. facilities. Increased efficiency will be achieved through the consolidation of all candy, syrup and relish manufacturing at Quincy.

Transfer of all chicken processing for our Monday Chicken Fry to the Miami Commissary and installation of a streamlined, highly-integrated process has resulted in an improved product for Chicken Fry customers as well as faster, more efficient commissary preparation.







The company continued to lay the groundwork for future growth with important management changes during the year, as follows:

Eugene J. Durgin, formerly Executive Vice President-Legal and Corporate Affairs, was elected Vice Chairman of the Board of Directors.

A. A. Stambaugh, Jr., Executive Vice President-Administration, and Hoyt Ammidon, Chairman of United States Trust Company of New York, were elected members of the Board of Directors.

Clark L. Poland was elected Group Vice President-Manufacturing and Distribution. Mr. Poland, who joined the company on January 1, 1969, has many years of diversified experience in the food processing industry.

John H. Wyllie, Executive Vice President-Finance, retired from the company on December 31, 1969, following 28 years of outstanding service. Mr. Wyllie was succeeded by Daniel R. Shaughnessy, whose career as a financial executive includes nearly 20 years in the consumer field. Mr. Wyllie will continue to serve the company in a consulting capacity.

Donald G. Shaftoe, Group Vice President-Restaurant Operations, retired on December 31, 1969, ending an illustrious career with Howard Johnson's that began more than 40 years ago. Mr. Shaftoe, one of our first employees, later established Howard Johnson's restaurant operations on the Pennsylvania Turnpike, the nation's first turnpike restaurants.

Frank M. Barrett, an operations executive with the company for the past 15 years, was named to succeed Mr. Shaftoe. Mr. Barrett has served as General Manager of our Red Coach Grill Division and of the Midwest Restaurant Division.

The following executives were elected Vice Presidents of the company:

Frank D. Hall, Vice President and General Counsel  
 Edgar L. Andlauer, Vice President and Treasurer  
 Joseph F. Cotter, Vice President and Controller  
 William K. Foster, Vice President-Corporate Planning  
 Lowry M. Bell, Jr., Vice President-Architecture  
 Hugh J. Kelly, Vice President-Purchasing



## Directors

Howard B. Johnson	Chairman and President
Eugene J. Durgin	Vice Chairman
Hoyt Ammidon	Chairman of the Board of United States Trust Company of New York, New York, N.Y.
Charles M. Enders	Partner of F. S. Moseley & Co., New York, N.Y.
William J. Martin	Chairman of the Board of South Shore National Bank, Quincy, Massachusetts
Fred Smith	Consultant, Office of the Rockefeller Family & Associates
A. A. Stambaugh, Jr.	Executive Vice President—Administration

## Officers

Howard B. Johnson	President
A. A. Stambaugh, Jr.	Executive Vice President—Administration
Robert D. Parks	Executive Vice President—Operations
Daniel R. Shaughnessy	Executive Vice President—Finance
Frank M. Barrett	Group Vice President—Restaurant Operations
Wallace W. Lee, Jr.	Group Vice President—Motor Lodges
Fred A. Hahn	Group Vice President—Special Divisions
Clark L. Poland	Group Vice President—Manufacturing and Distribution
Pierre Franey	Vice President—Executive Chef
Americo J. Imperiali	Vice President
Frank D. Hall	Vice President and General Counsel
Edgar L. Andlauer	Vice President and Treasurer
Joseph F. Cotter	Vice President and Controller
William K. Foster	Vice President—Corporate Planning
Lowry M. Bell, Jr.	Vice President—Architecture
Hugh J. Kelly	Vice President—Purchasing
Eugene J. Durgin	Vice President and Secretary
Donald L. Kahl	Assistant Treasurer and Assistant Controller
Joseph V. Cronin	Assistant Secretary



**Counsel**

Herrick, Smith, Donald, Farley & Ketchum  
Boston, Massachusetts

**Independent Accountants**

Price Waterhouse & Co., Boston, Massachusetts

**Transfer Agents**

Old Colony Trust Co., Boston, Massachusetts  
The Chase Manhattan Bank, New York, New York

**Registrars**

The First National Bank of Boston  
Boston, Massachusetts  
Manufacturers Hanover Trust Company  
New York, New York

**The Annual Meeting**

of the stockholders will take place at  
11:00 A.M. (E.D.T.) Monday, April 27, 1970 at  
the Howard Johnson's Motor Lodge  
located at exit 16 (south) on the  
Southeast Expressway, Boston, Massachusetts

**Principal Executive  
Office**

One Howard Johnson Plaza  
Boston (Dorchester), Massachusetts 02125









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